

## **CITY COUNCIL**

# **Approval to Enter Into Exclusive Negotiations w/ HRI 78 N. Marengo Avenue**

City Council meeting  
November 23, 2020  
Item 13





# Recommendation

City Manager – Economic Development Division

- Finding of environmental exemption per “general rule” at CEQA Guidelines Section 15061(b)(3)
- Approve terms of Exclusive Negotiation Agreement (ENA) w/ HRI to development a hotel on City-owned property at 78 N. Marengo Avenue
- Authorize City Manager to execute, and City Clerk to attest the ENA and related documents to effectuate the ENA



# Project Site – 78 N. Marengo Avenue

City Manager – Economic Development Division



PASADENA



# Background

City Manager – Economic Development Division

- **4/8/19:** City Council approval of parameters for development of City-owned properties at 78 N. Marengo Avenue
- **5/19:** Draft RFP published for 2 weeks on City website to solicit public comment prior to final release
- **6/20/19:** Release of RFP based on approved City Council parameters on setback; public access to first floor and no on-site parking requirement



# RFP PROJECT GOALS AND OBJECTIVES

City Manager – Economic Development Division

- **Renovation and preservation** of the YWCA building.
- **Enhance and activate** the dynamic environment of the Civic Center District while respecting the dominance and monumentality of major civic buildings, and the scale and form of existing historic structures.
- **Civic Center Design** - Reflect and respect the architectural and spatial context of the site and surrounding historic district.
- Develop a **high quality building** and a use that is commensurate with the historic integrity of the YWCA Building/Site.
- Ideally, establish a long-term, **fair market value ground lease or sale** (as determined by an appraisal) of the YWCA Building/Site and the Water and Power site. However, the City is willing to consider alternatives that result in an overall superior project. In the event of a lease or sale, the ground floor use must be accessible to the public.
- **Maximize the site's potential** in a creative and complementary manner.



# RFP Evaluation

City Manager – Economic Development Division

- **Development Entity/Capacity**
  - > Demonstrated experience in successful financing, development, operation and economic performance of comparable projects
- **Development Plan**
  - > Extent to which the submittal meets the project goals and objectives described in this document
  - > Ability to effectively design the project within the development parameters as described in this document
- **Economic and/or Public Benefit to the City of Pasadena**
- **Transaction Terms**
  - > Proposed development schedule and phasing required to complete the project
  - > Quality and feasibility of proposed business offer
  - > Ability to complete the transaction in a timely fashion



# Edgewood Realty Partners

City Manager – Economic Development Division

- Edgewood Realty Partners, LLC, South Pasadena, CA – A real estate investment firm with 25 years of real estate investment experience. Edgewood builds and redevelops unique, design-driven projects. Edgewood and its affiliate The Kutzer Company have worked on numerous properties in Pasadena.
  - > YWCA Building: Restore the historic landmark Julia Morgan YWCA, in conformance with the Secretary of the Interior's Standards, and adapt for use as a 164-room boutique hotel operated by Palisociety.
  - > 13 suites to be housed in the historic structure and include restoring the historic lobbies, public areas, courtyard, and indoor swimming pool and returning these to public access. A specialty restaurant is envisioned to take advantage of the gym with the double height space and access to the interior courtyard and exterior patio.
  - > New Construction Building: The new architecturally compatible, L-shaped building would house the majority of the new hotel rooms.

- HRI Properties, LLC, New Orleans, LA – HRI Properties, LLC is a national real estate company engaged in the ownership, development and management of upscale-branded and independent hotels, luxury apartments, mixed-use properties, and mixed-income housing communities in the top 40 urban markets. Proposal is to restore the YWCA Building per the Secretary of the Interior's Standards and adapt the hotel functions as closely as possible to the original building for a 179 room hotel with 165 rooms in a new 83,000 sq.ft. building.
  - > YWCA Building: hotel lobby will be located where the YWCA lobby was once located, the full-service restaurant will be located in the previous YWCA cafeteria, and the ballroom and event spaces will be in the YWCA's former pool and gymnasium spaces. The upper floors of the historic building will house 14 hotel guestrooms.
  - > New Construction Building: • Proposing a 5-story, architecturally respectful new construction building with two exterior courtyards and a ground floor pool. • 165 guestrooms. The upscale brand, Curio Collection by Hilton is the targeted hotel flag.





# Proposal Comparison

City Manager – Economic Development Division

	Edgewood	HRI
Lease Term	55 yr. (minimum)	55 yr. (minimum)
City Subsidy Length	Duration of the Lease Term	Initial 12 yrs. of the Lease Term
Value of Subsidy over 20 yrs. (present value basis 8% discount rate)	Approximately 97% of the gross City revenues generated by the hotel.	Approximately 41% of the gross City revenues generated by the hotel.



# Developer Selection Recommendation

City Manager – Economic Development Division

## Staff recommends the selection of HRI

- Experienced in adaptive reuse of historical properties that is directly applicable to the YWCA Building
- Development Plan achieves the historic renovation of the YWCA Building
- Achieves the greatest public benefit to the City of Pasadena
- The proposed business offer is of higher quality



# Key Terms of ENA

## City Manager – Economic Development Division

- Negotiate terms for a long-term lease of the site and development of an approximately 179 room hotel
- Negotiation period of six (6) months w/ additional two (2) six-month extensions at City Manager's discretion
- Developer shall submit documentation of its development team, financial capacity, and other due diligence disclosures
- Project transaction terms including a long-term lease, environmental requirements, project concept, scope of development, schedule of performance, financing plan, City financial assistance, and property management
- Negotiated development agreement subject to City Council approval